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UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

CONN CREDIT I, LP,)	
)	
Plaintiff,)	
)	
VS.)	
)	Case No. 4:15-cv-3713
SHERMAN ORIGINATOR III LLC,)	
)	
Defendant)	

ORAL/VIDEOTAPED DEPOSITION OF
CLINT WALTON
SEPTEMBER 14, 2016

ORAL/VIDEOTAPED DEPOSITION OF CLINT WALTON,
produced as a witness at the instance of DEFENDANT, and
duly sworn, was taken in the above-styled and numbered
cause on September 14, 2016, from 8:53 a.m. to 5:35
p.m., before Michelle Rodriguez, CSR in and for the
State of Texas, recorded by machine shorthand, at the
offices of 363 North Sam Houston Parkway East, Suite
1200 Houston, Texas 77060, pursuant to the Texas Rules
of Civil Procedure and the provisions stated on the
record or attached hereto; that the deposition shall be
read and signed before any notary public.
JOB NO. 1-HOU-223517



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1 you're targeting in your customer?

2 A. Well, you know, a customer who -- who wants to
3 use their other platinum major card, we'll take that as
4 well or work out a -- a cash arrangement. Or in the
5 past several years, we've adopted the rent-to-own
6 function of our business, as well.

7 Q. Okay. Do you know what percentage of Conn's
8 sales on an annual basis are financed to a product that
9 you offer through Conn's?

10 A. The Conn's in-house credit program today is
11 about 70 percent of our business that we -- of all of
12 our sales today would have our credit in-house program
13 finance those retail sales.

14 Q. Okay. And I just want to make sure that I'm
15 clear. You're not saying that 70 percent of what you
16 sell on credit is Conn's. You're saying 70 percent of
17 total sales is through the Conn's-branded financing
18 product?

19 A. I -- I agree with that.

20 Q. Okay. I just want to make sure I understand.
21 As opposed to like, I don't think they have it anymore,
22 but GE Consumer Finance or some other
23 manufacturer-driven finance program?

24 A. We --

25 Q. You offer those as well?

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1 have a program for.

2 Q. Okay. And that's a very important customer
3 base to Conn's financial performance.

4 Is that fair to say?

5 A. I would say that -- actually, all of our
6 customer interaction, all of our customer bases are just
7 as important. I don't know that I would signify just
8 this specific bullet point as a significant or more
9 important than the other.

10 Q. Okay. All right. Well, on the same side, if
11 you look at that third bullet point, it says, "Large and
12 growing core customer base."

13 Do you see that?

14 A. Yes, sir, I do.

15 Q. And then the -- the bullet under that says,
16 "Underserved credit constrained consumers."

17 Do you understand that underserved credit
18 constrained consumers are Conn's core customer base?

19 A. My understanding is that the reference to
20 underserved is traditionally those customers that are
21 not able to obtain financing through traditional means
22 of a bank, et cetera. I do understand that that is a
23 percentage of our customer base that -- that we have a
24 niche in the market for.

25 Q. Okay. Is that a high percentage of your

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1 Q. Uh-huh.

2 A. -- like we offer or maybe it's the rent-to-own
3 customer, things of that nature.

4 Q. Okay. And are unbanked consumers a focus of
5 Conn's business strategy?

6 A. They're -- they're one of our group of -- of
7 customers that we really market to.

8 Q. Okay. Who does Conn's identify as its
9 competitors in the niche that you've identified. So
10 selling retail to underserved credit consumers? Do you
11 have competitors that you've identified?

12 A. My hesitation to you is that the question,
13 it's -- it's always difficult for us because we operate
14 as a -- as a retailer first. And it's been my
15 experience for our business that we -- we have customers
16 who have shopped at a -- a retail competitor for
17 appliances in -- through any name --

18 Q. Uh-huh.

19 A. -- that you can think of that was not able to
20 obtain financing at that company. The same or similar
21 items we were able to -- to work with that customer and
22 finance that for them.

23 That -- that's how I would phrase my answer
24 to that -- that question because it's -- it's really
25 different based on maybe the -- the actual product. And

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1 Q. Okay. All right. And the extended warranty
2 products that you've identified, those are also
3 financeable, yes?

4 A. They can be financed.

5 Q. Okay. So you pay -- you pay the full, upfront
6 cost one way or the other, either through a loan from
7 you or with your own funds?

8 A. That's correct.

9 Q. Okay.

10 A. Yes.

11 Q. How is the pricing for those products
12 determined?

13 A. It's contractually agreed between Conn's and
14 Assurant for each of the -- the products.

15 Q. All right. And is it based on the type of
16 product or the amount financed or some matrix of all
17 those things?

18 A. A bit of all of the above.

19 Q. Okay.

20 A. Yes.

21 Q. Does the customer's risk score, as you've
22 talked about --

23 A. Uh-huh.

24 Q. -- impact the pricing of the extended warranty
25 products at all?

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1 A. That's correct.

2 MR. WRONSKI: Okay. All right. Why don't
3 we go off the record and we can change the tape.

4 THE VIDEOGRAPHER: Okay. Off the record at
5 1:48 p.m.

6 (Discussion off the record.)

7 THE VIDEOGRAPHER: On the record at 2:00
8 p.m.

9 (Discussion back on the record.)

10 Q. (BY MR. WRONSKI) All right. I'm going to ask
11 some questions about collections.

12 Are there -- okay. So, obviously,
13 sometimes when your collectors are making calls or
14 having contacts with borrowers, inevitably the borrowers
15 will raise some type of complaint or dispute to explain
16 why they haven't paid or aren't paying, right?

17 A. It comes up.

18 Q. And that's part of what your people are trained
19 to deal with --

20 A. That's correct.

21 Q. -- correct?

22 Are there any types of -- types is the
23 wrong word -- any categories of complaint or dispute
24 that get kind of escalated immediately out of
25 collections to compliance or, you know, somewhere else

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1 because it's -- could be a serious problem or at least
2 on its face, it has that potential and so you want
3 someone else handling it? Are there any categories like
4 that?

5 A. There are some.

6 Q. And what are they?

7 A. Situations of fraud, deceased situations.
8 Obviously, in those situations, where we're talking to,
9 you know, the spouse's family members or et cetera that
10 are alerting us to that scenario. Litigation, that they
11 have either attorney representation or that they are
12 lodging litigation against Conn's. Anything around a
13 credit history bureau dispute. And then balance dispute
14 because of many scenarios.

15 As we were discussing earlier, the system
16 controls on validating balances and such are preset, so
17 those scenarios would be outside the scope of a
18 collection agent. I may have missed a category or a
19 scenario, but I think those five areas covers some
20 unique handling situations that we have specific
21 training for.

22 Q. Okay. And what -- what do you put under the --
23 and I know there's a myriad of examples. But I just
24 kind of want to get what was in your head.

25 What do you put under that species of

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1 fraud, like identity theft, things like that or other
2 things, too?

3 A. It could be identity theft or that no, I'm --
4 I'm the right person, but I never made that purchase at
5 Conn's. I think you have something else taking place.
6 So when we generalize the term "fraud," it could be any
7 occurrence thereof.

8 Q. Okay. So is it fair to say that in those
9 situations, you -- Conn's stops its collections activity
10 and escalates it to a different group or a different --

11 A. That's correct.

12 Q. Okay.

13 A. That's correct.

14 Q. And why do you -- why do you do that?

15 A. It's certainly the best practice. And in that
16 classification, if we're speaking directly to fraud, is
17 handled by a specialized group internal to Conn's to
18 properly validate that claim. While our frontline
19 agents are trained to ask some initial questions to get
20 our fraud teams started, there are other policies and
21 procedures related to handling that this particular team
22 is specialized to address those concerns.

23 Q. Okay. And so while those specialized teams are
24 looking at that or individuals, whoever they are, it's
25 gotten escalated or routed somewhere else, does the kind

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1 of line-level collection activity stop?

2 A. It does.

3 Q. So if it was scheduled for a recorded call,
4 that call will not go out?

5 A. That's true. The timing of that just --

6 Q. There's some lead times to some of that?

7 A. There's some lead times, you know.

8 Q. But generally speaking, you try to stop
9 ordinary collection activity until that gets resolved?

10 A. That is correct.

11 Q. Okay.

12 A. Yes.

13 Q. And you do that because of legal requirements,
14 the regulatory environment, best practice, all of the
15 the above?

16 A. All of the above. To -- to emphasize my
17 earlier comment, we take all of those types of concerns,
18 complaints, disputes, et cetera, with the utmost
19 importance because our -- you know, I've kind of gone
20 back to this a few times, our need to have that
21 customer, a valid customer, I understand that we take
22 those so -- so urgently and so important to their --
23 their needs. We need them to come back and re-shop us
24 and vet out those issues that they bring to us.

25 So while, yes, there's a regulatory

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1 Q. But are there any other circumstances where an
2 account would not be charged off at month end of the 210
3 day delinquency?

4 A. There may be a few. I think we've pretty well
5 categorized what we typically run into. There may be a
6 few.

7 Q. Okay. So I just want to understand then from
8 an accounting and finance perspective, and I'm not going
9 real deep into this, I just want to understand the ticks
10 and tacks here. What happens when the account is
11 charged off.

12 So as I understand it, upon charge-off,
13 Conn's no longer accrues interest on the account?

14 A. That's correct.

15 Q. Okay. And no long accrues late fees on the
16 account?

17 A. That's correct.

18 Q. Okay. And I'll just tell you right now, I read
19 your deposition from the TF LoanCo case, I find this to
20 be somewhat confusing. But hopefully we can figure it
21 out.

22 A. Okay.

23 Q. I understand that at charge-off, if there are
24 non-expired extended warranty agreements or credit
25 insurance, those are automatically canceled.

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1 A. At time of charge-off, yes.

2 Q. Okay. All right. And as a result of that
3 cancelation, at times there can be money owed from
4 Assurant back to Conn's; is that right?

5 A. Specific to repair service agreements or
6 warranties --

7 Q. Yeah, okay.

8 A. -- yes.

9 Q. Not --

10 A. Not credit insurance.

11 Q. Okay. All right. Very helpful.

12 A. Yes.

13 Q. Okay. So on warranties there can be money
14 that's owed to Conn's. That's because you pay Assurant
15 up front for the whole plan?

16 A. That's correct.

17 Q. Okay. What happens to those funds when they're
18 received by Conn's? How are they accounted for? Are
19 any of them applied to the customer account, or does
20 Conn's retain them in an account for them? I don't know
21 how.

22 A. We do retain those.

23 Q. Okay.

24 A. In our prior handling, before August 2015,
25 those funds were handled on the accounting side specific

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1 to the account. I am not certain to give you that
2 answer of where the technical terms for accounting is to
3 which they're held.

4 Q. Or how they're booked, right?

5 A. Correct. But prior to August 2015, Conn's
6 would receive that refund for what they paid -- what we
7 paid to Assurant. Once we receive that refund back, the
8 monies were not refunded back to the account after time
9 of charge-off.

10 Q. Okay. Since August of 2015, what happens?

11 A. There is a pro rata credit that goes back to
12 the charge-off account.

13 Q. Okay. So you -- so you charge off less?

14 A. Ultimately, yes, that's correct.

15 Q. Okay.

16 THE VIDEOGRAPHER: Can we take a quick
17 break for a moment, please?

18 MR. WRONSKI: Sure.

19 THE VIDEOGRAPHER: Thank you. Off the
20 record at 2:40 p.m.

21 (Discussion off the record.)

22 THE VIDEOGRAPHER: On the record at 2:56
23 p.m.

24 (Discussion back on the record.)

25 Q. (BY MR. WRONSKI) All right. Before the break,

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1 we were talking about charge-offs of accounts and we had
2 ended, I think, talking about the change in policy at
3 Conn's in August of 2015 with respect to refunds
4 received when RSA's or other extended warranties were
5 cancelled at charge-off.

6 A. That's correct. That's where we left off.

7 Q. Okay. All right. And you explained that prior
8 to August of 2015, Conn's did not credit any portion of
9 those funds coming back to the customer's account.

10 A. That's correct.

11 Q. And since August of 2015, Conn's now does
12 credit that to the account?

13 A. That's correct.

14 Q. All right. What was the reason for that change
15 in policy?

16 A. Specifically, a review of industry business
17 practices by our executive team and our accounting
18 management team.

19 Q. Do you know if there's any written record of
20 that review? Was that like a project that somebody did
21 and made a presentation and analyzed it?

22 A. I don't know of any writing. And I'm not -- I
23 don't know of any type of written presentation that was
24 given.

25 Q. Okay. Do you know who, either by name or by

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1 department, was charged with looking at that issue?

2 A. I don't specifically, regarding that issue to
3 initiate that process.

4 Q. Okay. Was that change made on a prospective
5 basis only?

6 A. Yes, it was.

7 Q. Okay. And now, today, when those refunds are
8 credited to the customer's account, how are they
9 reflected in your payment system? As a miscellaneous
10 credit? As payment? What box do they go in?

11 A. They show as a rebate of the RSA to the payment
12 ledger.

13 Q. Okay. So kind of a new field for that?

14 A. That is correct.

15 Q. Okay. All right. Now, I think you referenced
16 earlier that the practice has changed from time to time,
17 but what does Conn's do as far as collection of accounts
18 that have been charged of?

19 So as of right now you're collecting up to
20 a third-party agency; is that right?

21 A. We're actually doing both.

22 Q. Okay.

23 A. In-house collection and through a third party,
24 as well.

25 Q. All right. And are you doing that in the

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1 loosening or tightening.

2 Q. So you don't agree with me that -- without
3 looking at a document, you can't agree with me that in
4 2013, Conn's was approving more applications than in
5 other years by, among other things, lowering the credit
6 score?

7 A. I can't agree, no, sir. Not without looking at
8 some documents or something.

9 Q. Okay. So the huge write-off that you had in
10 2014 of largely loans originated in 2014, what was that
11 about?

12 A. I'm not sure I follow what you're referencing
13 on a "huge write-off."

14 Q. Well, you had a huge spike in origination
15 starting in 2013, correct? I mean, you were originating
16 30, 40 percent more than you had in prior years.

17 A. I think during that period of time -- and I'm
18 not agreeing with the 30, 40 percent. I don't know that
19 number specifically. But that was during the period of
20 time that we were opening new store locations in new
21 states. So I do agree that we experienced growth during
22 that period of time.

23 Q. Okay. And your metrics for 60-plus days
24 delinquent and your charge-offs were increasing rapidly
25 even on a percentage basis, not on an absolute basis

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1 ,during that same period of time, right?

2 A. I do recall we had delinquency increases. What
3 those metrics were, without looking at those reports,
4 it's been some time ago.

5 Q. Okay. But these loans here and that are
6 charged-off in late '13, that's included in --

7 A. Yes.

8 Q. -- in those originations?

9 A. No, sir. The September '13, December '13
10 vintage, this would have included originations that may
11 have stemmed from 2012, 2011, during that period of
12 time.

13 So that's why I'm referencing, without
14 knowing that detail or that analysis, I wouldn't be able
15 to agree, specifically, with those numbers.

16 Q. Okay. Well, did you have discussions with
17 Garnet about what they understood when they asked the
18 question what A, B, C, and D meant on this survey?

19 A. I don't recall that I had any conversation with
20 them.

21 Q. All right. You can put that one aside for now.

22 A. Okay.

23 Q. Okay. I want to show you what's been marked as
24 Exhibit No. 48.

25 (Exhibit No. 48 marked for identification.)

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1 Q. Okay. All right. Okay. So we've got a couple
2 different people here who were assigned to these
3 particular accounts.

4 A. Yes, sir.

5 Q. What mechanically did they do to look at this?
6 What investigation or review did they actually conduct
7 here?

8 A. It's exactly the process we talked about this
9 morning. Treating it as a customer complaint or inquiry
10 and performing a review of the account history, the
11 notes, documents, if there was anything to review or
12 determine. And as an example, to speak plainly, the
13 first line that I'm looking at here, in an effort to
14 protect the customer's identity, I'll just refer to the
15 origination number -- the last four digits as 4232.

16 4232, which was assigned to our Conn's
17 team --

18 Q. Yup.

19 A. - our reply was that after her review and
20 research, that there was no dispute on file. From
21 Sherman there wasn't anything given to us other than it
22 was registered on the spreadsheet from Sherman, but we
23 didn't find anything on file that related to a dispute.
24 The second one down from there shows that our Conn's
25 reply, as an example, customer wanted to file an

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1 insurance claim, however, did not make any payments on
2 the account.

3 So after we performed our research, our
4 conclusion based on the review of the account history
5 and our notes, we came to that conclusion, which didn't
6 meet the dispute or burden that was originally launched.
7 And that was our approach. So we took a very root cause
8 analysis for each of the accounts that were submitted to
9 us.

10 Q. Okay. Now, you didn't do anything but check
11 existing notes and records, right?

12 A. That would be correct.

13 Q. You didn't reach out to any customers. You
14 didn't call them to talk about the account or the
15 dispute that they raised when they were contacted by
16 Sherman?

17 A. You are correct. We did not reach out to the
18 consumers.

19 Q. All right. The information that you used to
20 review this was that information that was available to
21 Sherman?

22 A. Specifically, the account notes that were
23 maintained in Latitude, those were not a part of the
24 documents for the debt sale. However, if it involved
25 looking at the contracts and some of the payment

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1 histories, as I think some of these were. Sixth one
2 down mentions that the account was paid off. We would
3 have reviewed the shame document that Sherman would have
4 reviewed.

5 Q. Okay.

6 A. Yes, sir.

7 Q. All right. So the columns -- I just want to
8 make sure I understand. The columns under Conn's reply
9 where the -- not the column -- the row says, "No dispute
10 on the file," does that mean that Sherman didn't
11 identify a particular dispute on the spreadsheet? Or
12 does that mean when you looked at the collection notes,
13 you didn't see any evidence of a prior dispute?

14 A. The latter. That we reviewed our account
15 history, our comment fields, and no dispute was on file.

16 Q. Okay. So the fact that a customer didn't
17 previously make a dispute does not mean that when they
18 were contacted by Sherman that they didn't dispute the
19 debt, correct?

20 A. I would agree with that statement.

21 Q. Okay. All right. So, let's look at -- I want
22 to just look at a couple of these. One, two, three,
23 four, five, rows down. So using your convention, I
24 guess, the last four digits of origination are 0232.

25 A. Okay. I follow you.

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1 Q. Bradshaw.

2 MR. HEARTFIELD: We're not supposed to say
3 the name.

4 MR. WRONSKI: Okay. There's a gallion
5 [sic] of them. It's probably not Terry Bradsaw.

6 MR. HEARTFIELD: You said it. I didn't say
7 it.

8 Q. (BY MR. WRONSKI) So it says, "ROM was signed
9 in February of 2014." What does that mean? Return of
10 Merchandise?

11 A. It does. That's correct.

12 Q. Okay. So this the one of those voluntary
13 repossession cases, correct?

14 A. Yes.

15 Q. So this, as we discussed earlier, should have
16 been an account that was never included in the sale; is
17 that right?

18 A. This would have been one.

19 Q. Okay. But it was included in the sale?

20 A. It was.

21 Q. Okay. Then let's look down one, two, three,
22 four, five, six below that. Last four digits, 8534.

23 A. Okay.

24 Q. "Customer disputed accounts semicolon." Do you
25 see that?

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1 A. I do.

2 Q. So it said, "Customer disputed account;
3 however, merchandise was delivered on January 2014. She
4 has not made a payment on the account." Do you see
5 that?

6 A. I do.

7 Q. Okay. So your collection notes actually did
8 reflect a prior dispute by this customer, correct?

9 A. It did.

10 Q. Okay. So why -- explain to me why there's a --
11 you're accepting -- I don't know that this was a putback
12 request, but why you were agreeing to take this back. I
13 don't understand the notes.

14 A. Well, sure. We were able to validate that the
15 same dispute that Sherman had identified to us was
16 indeed a match to our records, and that's why we would
17 have agreed to a putback or buyback for Sherman.

18 Q. Okay. So if there was a known dispute on this
19 account, why was it included in the sale?

20 A. It wasn't properly class coded.

21 Q. Okay. And it's possible that other accounts
22 that where Sherman made a contact and received a dispute
23 from a customer were not properly coded, correct?

24 A. Could be possible.

25 Q. Okay. A little more than halfway down, last

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1 four digits 7830.

2 A. Okay.

3 Q. It's a paid prior.

4 A. Okay. Yes, I see that.

5 Q. "Submitted recall request on" 10/17/14 --
6 "10/7/14. Customer paid in full on 09/12/14." What was
7 that one?

8 A. That was the situation that we looked at in the
9 offering memorandum. Where the previous 30 days prior
10 to cutoff, customer actually paid. Now, while that was
11 stated in the offering memorandum, that was not part of
12 the exclusion that was agreed to in the PSA. And after
13 reviewing that particular account, that payment would
14 have been forwarded to Sherman as due to Sherman.

15 Q. Okay. But Sherman didn't give you this list as
16 a putback request under the PSA. Sherman gave you this
17 list as an example of disputes received by customers
18 when it was making its right party contacts, right?

19 A. That's my understanding.

20 Q. Okay. So when this customer told Sherman that
21 they had paid this account, that was, in fact, true?

22 A. On that account, yes.

23 Q. Okay. All right. Let's look at the one three
24 below that, last four digits 5330.

25 A. Okay.

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1 Q. Customer claimed fraud in June 2014 but never
2 returned a completed fraud affidavit to the fraud
3 department. Account was not processed as fraud because
4 there was no evidence to support the fraud claim. So
5 even though the customer claimed fraud, this was not
6 listed as a class code 53; is that right?

7 A. That's absolutely, correct.

8 Q. And how come?

9 A. It wasn't valid. We attempted the dispute
10 process with the customer to validate the fraud, and
11 they did not complete the fraud return on the account.

12 Q. And that, in your view, is not a known dispute?

13 A. While it may be and I think that can be
14 arguable whether it's a dispute, it would still
15 constitute in our -- Conn's opinion as a collectible
16 account.

17 Q. Okay. Well, I didn't ask if it was
18 collectible. I asked if it was a known dispute, right?
19 You knew the customer disputed the account?

20 A. We know that they launched the complaint or the
21 dispute. But to my earlier comment, I think what would
22 be arguable is whether or not we would have mark that
23 one as "dispute." And in this case, we did not.

24 Q. Okay. And then if you go two more down, last
25 four digits, 1031. There's another one, "Customer filed

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1 fraud dispute. Account was not found to be fraud." Do
2 you see that?

3 A. I do.

4 Q. So are these cases where when the customer
5 makes a fraud dispute, it gets coded as a 53 and then
6 you take that off after investigation?

7 A. There are times when we remove that class code
8 out.

9 Q. And you can't tell from this why it was found
10 not to be fraud, right?

11 A. No, sir, I can't.

12 Q. Would there be other information in the
13 collection notes that would explain that conclusion?

14 A. There could be. Or our fraud department would
15 have some of their records for the work that they had.

16 Q. Okay. Let's look at the next page. Second
17 from the bottom.

18 A. Okay.

19 Q. 7560. Which is also a paid prior, I think,
20 right?

21 A. Yes.

22 Q. Okay. So the account was closed with zero
23 balance on September 5th of 2014. So that customer's
24 dispute that raised to Sherman was a legitimate dispute
25 and they were right?

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1 A. That's correct.

2 Q. Okay. The next page, it's about a fourth of
3 the way down, 8730. The dispute is -- "disputing bill
4 is: Has paid off". And then the Conn's comment is.
5 "Cash option dispute." What does that mean? I don't
6 understand that.

7 A. Okay. A cash option at Conn's is a no interest
8 promotion that we offer to some qualifying customers.
9 And those can range and have ranged over different
10 periods of time to be a three, six, or twelve month
11 period, by which the customer can pay in full and not
12 receive any finance charges. That's what a cash option
13 would be.

14 Q. Okay. So what does a cash option dispute mean?
15 I don't understand what this comment means as far as
16 explaining away the dispute from the customer.

17 A. I would have to look at that one a bit more
18 closely to understand the underlying note there. I
19 would be making an assumption at the moment, but I can
20 definitively say that the cash option portion indicates
21 the customer had a no interest period on their
22 underlying account.

23 Q. Okay. All right. A little more than halfway
24 down, 6938 are the last four digits. And the Conn's
25 comment is, "Debt or requested voluntary repo."

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1 A. Yes, I do see that one.

2 Q. Okay.

3 A. And that was marked as a pending, so I don't
4 know the outcome at the moment.

5 Q. Well, because there was a repo in process, that
6 shouldn't have been included in any event, correct?

7 A. Not necessarily. And that's why it was marked
8 as pending.

9 Q. Okay. The next one down, 1831.

10 A. Okay.

11 Q. I just don't understand the comment. "No fraud
12 claim ever received by the fraud department. This
13 account was never reviewed for fraud. However, the note
14 here indicates that the SSN doesn't match and belongs to
15 a diseased individual. When I searched in Accurint by
16 SSN, I cannot find any records of this person being
17 deceased." What -- are they referring to your
18 collection notes or to the Sherman note?

19 A. They're referring to our collection notes.

20 Q. Okay. So you have collection notes that say
21 that the Social Security on this account doesn't match
22 the borrower. Who you are contacting?

23 A. No. Let me correct that. The second sentence
24 it states, "The account was never reviewed for fraud,
25 however, the note here indicates that the Social doesn't

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1 match." They're referring to the note from Sherman.
2 And so they performed an independent review to come back
3 with the rest of their statement that it doesn't match
4 and it belongs to a deceased individual.

5 Q. Okay. All right. The next page near the
6 top -- my eyes are getting bad here. 0033 Conn's
7 comment is, "Service issue with sinking mattress."

8 A. Yes, I do see that one.

9 Q. Okay. So your collection notes indicated that
10 this client had previously complained about the
11 mattress?

12 A. I'm not certain that our collection notes
13 showed that information.

14 Q. Okay. Some notes you had?

15 A. Some notes -- we do have access that we didn't
16 discuss earlier today. We do have access to our service
17 department. That may be a references to our service
18 department in the notes that reside in that platform
19 which we did discuss, the S400.

20 Q. Okay.

21 A. So I'm not 100 percent positive on which
22 platform.

23 Q. Okay. But your records, globally, Conn's
24 records reflected that the dispute raised with Sherman
25 had previously been raised with Conn's?

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1 A. On one of our systems.

2 Q. And it doesn't show any kind of resolution of
3 that at all?

4 A. No.

5 Q. And if you look just down this row, there's a
6 couple of other service-type issues. All right.
7 There's one service issue with a king bed. If you go
8 down further beyond that, "Debtor dissatisfied with box
9 spring. Unclear if issue ever resolved." And those all
10 are reflected in Conn's records somewhere?

11 A. In either the Latitude comments or our
12 services.

13 Q. Okay. So at least for -- I mean, obviously, we
14 didn't look at every row on the five or six pages of the
15 spreadsheet. At least for a number of these, the
16 complaint that Sherman was reporting to you was exactly
17 the same as the complaint that Conn's had gotten
18 previously regarding the account, correct?

19 A. There were some matches.

20 Q. Okay. And those disputes would likely have
21 been raised, at least in part, on the collection floor
22 with collections, collection agents who had tried to
23 collect the account?

24 A. I wouldn't clarify that -- or classify that as
25 one of the only methods. I think we found a few

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1 examples with our service department, as well. And that
2 would not be known to us on the collection side of
3 business.

4 Q. But at least the ones that are in the
5 collection notes were made to somebody that was on the
6 collection floor?

7 A. Anything with collection, right. I would agree
8 with that.

9 Q. Okay. I'm going to show you what's been marked
10 as Exhibit No. 51.

11 (Exhibit No. 51 marked for identification.)

12 Q. (BY MR. WRONSKI) Looks like an e-mail chain
13 produced by Conn's. It's Conn's 859 through 861. So
14 take a look at that, and let me know when you can answer
15 a couple questions.

16 A. Okay.

17 Q. Okay. In this e-mail, Sherman is asking some
18 questions about some information that it thinks it's
19 missing; is that right?

20 A. Yes.

21 Q. Okay. And specifically, as reflected on the
22 first page on the e-mail from Erin Ziegler to you,
23 October 31st 2014, last payment amounts for, I guess,
24 NSF items; is that right?

25 A. Yes.

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1 A. That's correct. And, again, going back to the
2 period of the time of the cutoff and the payments were
3 made within 30 days of cutoffs.

4 Q. Okay. I'm going to show you what's been marked
5 as Exhibit No. 52.

6 (Exhibit No. 52 marked for identification.)

7 A. Thank you.

8 Q. (BY MR. WRONSKI) It's a document that's been
9 produced by Conn's. It's an e-mail chain. It's Conn's
10 29599 through -- that can't be right -- sorry. It's got
11 an extra page on the back that we'll just take off. It
12 doesn't belong there.

13 A. Yup.

14 Q. Sorry about that -- so it should be 29599 to
15 29605.

16 A. Okay.

17 MR. HEARTFIELD: Just take off the last
18 page?

19 MR. WRONSKI: Yes, please. Which I think
20 is 29764. And that does not belong with this exhibit.

21 A. Okay.

22 Q. (BY MR. WRONSKI) Just take your time and take
23 a look at that.

24 A. Okay.

25 Q. Okay. So you're familiar with this e-mail

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1 chain?

2 A. I am.

3 Q. Okay. If we start at the back, the last e-mail
4 chain -- the last e-mail in the chain -- or I'm sorry.
5 The first e-mail in the chain which appears on Conn's
6 29604, it's an e-mail from Jeremy Albert at Resurgent to
7 you, asking about some missing information and some
8 missing media, right?

9 A. Yes.

10 Q. And the date of that e-mail is in September --
11 no, sorry. It's November 5th of 2014, correct?

12 A. Yes, sir.

13 Q. Okay. And I don't want to go through each of
14 those e-mails. But as I read the chain, about a month
15 later, Conn's looked into this and discovered that, in
16 fact, significant amounts of information were missing
17 and not provided to Sherman; is that right?

18 A. The reference to Jeremy who started the inquiry
19 to us, the missing documents, as I recall, were the
20 invoice and payment history, if I recall, out of the
21 original request. It didn't completely reconcile it. I
22 think is the appropriate answer.

23 Q. Okay. Well, if we look at -- I just want to
24 make sure I understand. At Conn's 29601, which is the
25 third page of the exhibit.

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1 A. Okay. I'm there.

2 Q. Mr. Rutledge sent you and Mr. Bell an e-mail on
3 December 9 that says, "Out of the 16,678 accounts Jeremy
4 identified as missing, 11,175 were not originally
5 extracted." Do you see that?

6 A. I do see that.

7 Q. Okay. Does that mean that, at least as you
8 identified it, more than 11,000 files were incomplete in
9 terms of a computer file that was provided to Sherman?

10 A. The invoices were the documents out of the
11 three contract invoices and payment histories. It goes
12 back to No. 29600, where Mr. Rutledge replies back and
13 identifies the media that were specific to the invoices.
14 The original request for Mr. Jeremy Albert on November
15 5th had mentioned about the affidavits. The affidavits
16 weren't part of the media. So specific the contract
17 invoice and payment histories is where we focussed our
18 inquiry for Mr. Albert.

19 Q. Okay. And those invoices even though they were
20 included as account documents under PSA, have not been
21 provided, right?

22 A. Right. Due to some issue that Mr. Rutledge
23 identified.

24 Q. And I couldn't find an e-mail that shows me --
25 I'm sure there is one somewhere, but I didn't find it.

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1 Do you know when this problem was resolved?

2 A. I don't specifically recall the date, no, sir.

3 Q. In any event, it was after December 9th of
4 2014, correct?

5 A. I would assume after that date. The last
6 e-mail that we're looking at here was at 2:00 o'clock
7 that afternoon. So I'm not sure if there's another
8 e-mail subsequent to that time.

9 Q. And that was several months after the initial
10 delivery of these materials to Sherman, correct?

11 A. That was a few months afterwards, yes, sir.

12 Q. Certainly, more than 30 days afterwards,
13 correct?

14 A. It was more than 30.

15 Q. And did -- what was the conclusion on the other
16 5,000 or so accounts that Mr. Albert had identified?
17 That there was nothing missing? It's not fully
18 addressed in this e-mail. Do you recall?

19 A. If you can point me to the other 5,000
20 accounts, I'm sorry.

21 Q. Well, on the third page, what we looked at
22 Mr. Rutledge said, "Of the 16,678 accounts Jeremy
23 identified," he says, "11,145 were not originally
24 extracted."

25 A. Right.

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1 period of several months. Is that fair to say?

2 A. It was several months, yes.

3 Q. Okay. And you had more than one conversation
4 yourself with Mr. Mounts from TF LoanCo about those
5 issues, correct?

6 A. That's correct.

7 Q. And did you ever speak with a gentleman named
8 Mr. Brewer from TF LoanCo?

9 A. Not over the telephone, specifically.

10 Q. Okay.

11 A. He attended a visit to our Woodlands, Texas
12 office. And that was my interaction with Mr. Brewer
13 specific to some of the issues that were raised by TF
14 LoanCo.

15 Q. Other than Mr. Brewer and Mr. Mounts, did you
16 have any other communications, e-mail, phone, any with
17 other people at TF LoanCo about these issues?

18 A. No one else at TF LoanCo.

19 Q. Okay. In terms of the -- the evaluation of the
20 disputes that TF LoanCo was raising on the Conn's side,
21 were you the point person on that?

22 A. I was.

23 Q. Okay. At any time during those -- that
24 process, were you told by anyone at TF LoanCo that TF
25 LoanCo was financially unable to perform the contract

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1 with Conn's?

2 A. Not in that specific nature. But there were
3 concerns raised by Mr. Mounts on financing going forward
4 and suggesting amendments to our PSA and contractual
5 agreement on alternatives to finance future forward
6 flows.

7 Q. Okay. So we don't have time today, but I'm
8 familiar there was correspondence about potential
9 amendments to the PSA's and things of that nature,
10 right?

11 A. That's what I'm referring to.

12 Q. Outside of those negotiations, did Mr. Mounts
13 ever tell you, "We can't fund the future deliveries
14 under this contract?"

15 A. Never had that specific wording. But the
16 desire was to renegotiate the funding portion for TF
17 LoanCO as it relates to the PSA.

18 Q. And did Mr. Mounts or anyone from TF LoanCo
19 ever indicate to you that that desire to renegotiate was
20 motivated by the inability to fund under the contract?

21 A. Not specific, no, sir.

22 Q. Generally, did they indicate it was an
23 inability?

24 A. That was my inference from my conversations
25 with Mr. Mounts.

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1 Q. Based on what?

2 A. Based on his conversations on making the
3 amendments to the PSA and the concern around funding.
4 Additionally, tying back into earlier conversations on
5 the original negotiations with TF LoanCo and the reason
6 why we had two closing dates, an April 30th and a May
7 9th closing date, and their desire to split those days
8 apart and actually asked for additional time and
9 negotiated to the two dates that we landed. All of that
10 together was my inference and my conversation with
11 Mr. Mounts as to their concern around funding.

12 Q. Okay. But in words, that was never conveyed to
13 you directly?

14 A. Not as specific as you mentioned earlier. No,
15 sir.

16 Q. And not even really generally. You're
17 inferring it from the negotiations and from the fact
18 that they wanted the two payment dates?

19 A. Well, I'm putting all of the conversations and
20 my interactions together with Mr. Mounts as TF LoanCo's
21 representative.

22 MR. WRONSKI: Okay. Subject to any -- if
23 there's any redirect after any cross, I'm done for the
24 day.

25 MR. HEARTFIELD: We'll reserve our